GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3820
ANSWERED ON:24.03.2017
Debt Burden
Adhikari Shri Sisir Kumar;Raghavan Shri M. K.;Swami Maharaj Dr. Sakshi

Will the Minister of FINANCE be pleased to state:

a) whether the Government is aware that many of the States/ UTs in the country are in Debt Trap;

b) if so, the details thereof and the reasons therefor;

c) whether as per the recommendations of Finance Commission, a State/ UT with more than 20 per cent of debt to Gross State Domestic Product (GSDP) ratio should be considered as debt stressed and if so, the details therefor and the debt share of GSDP, State/UT-wise; and

d) the steps taken by the Government to improve the conditions of States/UTs?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a to d) One of the terms of reference of Fourteenth Finance Commission (FFC) was to consider the resources of the State governments and demands on such resources under different heads, including the impact of debt levels on resource availability in debt stressed states, for the five years commencing on 1st April 2015, on the basis of levels of taxation and non-tax revenues likely to be reached during 2014-15.
FFC has not adopted the criteria of Debt/GSDP with more than 20% for categorizing any State as debt stress State. FFC has noted that there were varying degrees of fiscal stress among States and it is difficult to draw a line and categorise some as seriously debt stressed. As gleaned from Finance Accounts and Budget documents of the States, the State/UT-wise details of debt to GSDP ratio of the States/UTs during last three years are placed at Annex.
In its assessment of fiscal needs of the States, FFC have provided for full interest payment by the States and recommended biggest ever increase of 10% in the share of States in net proceed of shareable pool of Union taxes, from 32% to 42%. The substantial increase in tax devolution and grant-in-aid recommended by FFC is a major step in the process of transferring more resources to the States in the nature of untied funds so that States may make and implement schemes or programmes which are best suited to their local needs and requirements.

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